

The Great Atlantic & Pacific Tea Company, Inc.

1967 ANNUAL REPORT for the fiscal year ended February 24, 1968

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DIRECTORS

Melvin W. Alldredge
 William E. Ayres
 Anthony A. Bliss
 R. Manning Brown, Jr.
 Fred E. Campbell
 J. Gordon Christian, Jr.
 Roy C. Collins
 William Corbus
 Donald Kirk David
 Harold D. Hoag
 Byron Jay
 William J. Kane

Edward A. LePage
 O. Philip Nyquist
 Gwilym A. Price
 *William T. Price
 John M. Schiff

*Retired March 31, 1968

Director Emeritus:

Oliver C. Adams

OFFICERS

Byron Jay, *President and Chief Executive Officer*
 Melvin W. Alldredge, *Chairman of the Board*
 William E. Ayres, *Vice President*
 J. Gordon Christian, Jr., *Vice President*
 William Corbus, *Vice President*
 †Harold D. Hoag, *Vice President and Treasurer*
 ◇William J. Kane, *Vice President*
 ◇Edward A. LePage, *Vice President*
 O. Philip Nyquist, *Vice President*
 *William T. Price, *Vice President*
 Fred E. Campbell, *Secretary and General Counsel*

*Retired March 31, 1968

◇Elected Executive Vice President March 14, 1968

†Resigned as Vice President and Treasurer on May 1, 1968;
 Retiring July 1, 1968;
 Succeeded as Treasurer by Harry C. Gillespie



ON THE COVER:

The smart American housewife effects substantial savings by shopping every week at her modern A&P supermarket. This week, next week, and every week of the year she knows she'll find good quality, low prices and the helping hands of friendly and knowledgeable store personnel.

1967 ANNUAL REPORT

for the fiscal year ended February 24, 1968



The Great Atlantic & Pacific Tea Company, Inc.

EXECUTIVE OFFICES

420 Lexington Avenue, New York, N. Y. 10017

TRANSFER AGENT

Morgan Guaranty Trust Company of New York
New York, N. Y.

REGISTRAR

First National City Bank, New York, N. Y.

NOTICE OF ANNUAL MEETING

The Annual Meeting of Stockholders will be held
on Tuesday, June 18, 1968 at 10:30 a.m. (E.D.T.)
in the Biltmore Hotel, New York, N. Y.



COMPARATIVE HIGHLIGHTS

For the Fiscal Year (52 Weeks) Ended	Feb. 24, 1968	Feb. 25, 1967	Feb. 26, 1966
Sales	\$5,458,823,500	\$5,475,259,300	\$5,118,977,800
Income before income taxes	101,697,400	107,244,200	97,797,300
United States and foreign income taxes	45,800,000	51,005,000	45,458,000
Net income	55,897,400	56,239,200	52,339,300
Per share	2.25	2.27	2.12
Per cent of sales	1.02%	1.03%	1.02%
Cash dividends declared	39,707,100	37,840,700	36,835,300
Per share	1.60	1.525	1.485*
Stock dividend at market value	—	—	9,030,200
Additions to property, equipment and fixtures	63,357,000	67,817,100	58,987,800
Depreciation and amortization	49,856,000	47,419,400	43,355,900
At Year-End			
Working capital	\$ 310,308,000	\$ 304,704,600	\$ 300,441,700
Ratio of current assets to current liabilities	2.34	2.29	2.28
Property, equipment and fixtures	326,471,200	313,886,600	294,639,600
Stockholders' equity	627,365,700	611,097,000	592,615,200
Per share	25.28	24.63	24.02
Number of stores	4,724	4,693	4,625
Approximate number of stockholders	52,300	54,300	46,430

Certain amounts for prior years have been restated to conform with classifications adopted this year.

*Adjusted for stock dividend.

TO OUR STOCKHOLDERS:

The year of 1967 was one of challenge to the retail food industry. Wholesale prices and other costs of doing business continued their upward thrust. This, coupled with strong price emphasis in the industry, had a restraining effect on margins.

Despite an all-out effort by the entire organization, we missed the previous year's record sales performance by less than one-third of one per cent.

Total sales for the 52-week period ended February 24, 1968 were \$5,458,823,500, compared with \$5,475,259,300.

Net income was \$55,897,400 compared with \$56,239,200 in 1966.

Stockholders can share with management considerable pride in many material accomplishments during 1967. We opened 176 new stores and closed 145 old ones. This represents a net gain of 31 for a total of 4,724 at the close of the year.

Of almost comparable importance was our modernization program. It resulted in the remodeling of almost 10 per cent of the older stores, making 466 retail outlets more attractive and more functional.

Contributing to the long-range improvement of the Company's sources of supply was the addition of several new manufacturing and processing plants, along with the modernization of equipment in many others. Considerable attention also was given to innovations in the warehousing centers to assure maintenance of an orderly and economically sound distribution of merchandise to the retail stores.

Another accomplishment that has added considerably to management's optimism for the years ahead was A&P's commitment to full-scale utilization of electronic data processing and the establishment of a center to coordinate this accelerated computerization program.

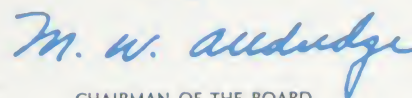
The Company's research and development efforts also bore fruit, resulting in the introduction of several new A&P-labeled products, all of which show promise of acceptability and profitability.

These improvements in services, facilities and products symbolize A&P's determination to sustain sound growth, improved customer accommodation and full utilization of all its resources.

Respectfully submitted,



PRESIDENT



CHAIRMAN OF THE BOARD



May 16, 1968

GENERATION AFTER GENERATION

A&P: WHERE HOUSEWIVES ENJOY SHOPPING

Making A&P the type of store where the housewife wants to shop takes coordinated effort on the part of many people. It also takes considerable imagination, knowledge and experience. All of these qualities—and more—are used by the people of this Company who are continuing to attract generation after generation of American homemakers to our stores.

A&P moved forward in these fields in fiscal 1967.

Each step was designed to improve service, quality or profitability. Each step was evaluated to determine, to the greatest degree possible, its effectiveness in perpetuating A&P as Mrs. America's favorite grocery store.

Included was measurable progress in the areas of new products, new processing techniques and new physical structures. New personalities in management also presage new concepts, new strength and new horizons.

EDP Comes of Age

Our utilization of Electronic Data Processing has reached a point that permits realistic appraisal and application. This advanced computerization program will lead to many operating economies heretofore not available to A&P.

The formation of a National Data Processing Department was completed during the past fiscal year and construction is starting on a major data processing center located in New Jersey. Included in the functions of this center will be an inventory con-

trol system which will contribute to an improved efficiency in providing merchandise when and where it's needed, with a saving in capital and time. Promising computer and communication techniques are planned to provide stores with more balanced inventories for improved customer service.

Officers and key executives at Headquarters already have completed extensive professional indoctrination into computer concepts and applications, and such training programs eventually will be extended to all applicable personnel.

A&P Health & Beauty Aids

As a matter of corporate policy the Company continues to seek better and more profitable ways of producing and distributing food products. While food remains the dominant product line, there has been in the past year considerable exploration into non-foods, including an economically advantageous venture into the production of additional health and beauty aid products as well as an increase in the number of items of this kind manufactured by other companies for distribution under the A&P label.

A&P's supermarkets during fiscal 1967 offered eight new A&P label health and beauty aid items, three of which (hair spray, shampoo and deodorant) are being manufactured by the Company at the Ann Page plant in Brockport, N. Y. The other five new items produced by outside suppliers include buffered aspirin, white petroleum jelly, cosmetic puffs, shave cream and multiple vitamins with iron.



An ever-increasing variety of fine candy is being produced at the Ann Page Candy Plant in Horseheads, N.Y. Left, cooling machine blends the base, color and flavoring of 100-pound batch of hard candy. Housewives find A&P's traditional 109-year-old policy of a "full 16 ounces to each pound" in full force at all times.



An addition to A&P's Alaskan fishing fleet in 1967 was the JINNY D, a completely self-contained sea-food boat, nearly 100 feet in length, used for the processing and freezing of King Crab at sea.

Consumer acceptance of these products has been promising; it testifies to their confidence in A&P's century-old tradition of providing quality merchandise at low prices. The Company's long-range product line expansion program calls for continuing exploration into potentially profitable additions to these lines.

A rewarding "extra benefit" from this expansion of non-food production has been the perpetuation of the Brockport facility which had been scheduled for termination many months ago. Original plans had called for phasing-out production at Brockport when that plant's food manufacturing operations were transferred to the new Ann Page processing complex at Horseheads, N. Y. However, officials of the manufacturing division exhibited considerable resourcefulness in finding ways to utilize the facilities at Brockport for the production of several items in the non-food lines. This revitalization avoided relocation of skilled personnel, provided A&P with an established, reliable and efficient work force and assured, for that community, a continuation of the municipality's industrial economy with uninterrupted income for a sizeable segment of its working population.

Executive Development

The executive management team was fortified at the start of the 1968 fiscal year by the addition of two new executive vice presidents, both of whom were replaced in their former positions by able young men from middle management.

William J. Kane, President of the Eastern Division, and Edward A. Le Page, National Director of Sales, were assigned to positions of Executive Vice President and will devote almost full time to field operations, lending their acknowledged management and merchandising expertise where needed to all areas of the business. Their guidance and counsel will be of considerable benefit to the various divisions. Both already were Corporate Vice Presidents and are members of the Board of Directors.

Replacing Mr. Kane at the helm of the Eastern Division was Noble Whittaker, Divisional Vice President who had been directly responsible for the store operations in Manhattan, The Bronx and Westchester County in the Metropolitan New York trade territory.

Stepping up to the position of National Director of Sales was Mr. Le Page's assistant, John J. Cairns, Jr., who brings to this pivotal merchandising assignment both youth and experience.

Another major management change reported at the same time was the election of Harry C. Gillespie as Treasurer, replacing Harold D. Hoag who resigned as Vice President and Treasurer, effective May 1 of this year, and who announced his intention to retire at the conclusion of his present term as director.

Succeeding Mr. Gillespie as Comptroller was another young executive, M. Dean Potts, who has had wide experience in the Company's varied financial and statistical fields.

Francis J. O'Connor, as assistant to Mr. Potts in his former position as Chief Statistician, has succeeded to the post with the

title of Manager of Budgets and Controls. He has added responsibilities in the area of financial planning and expense control.

One member of the Board of Directors, William T. Price, retired shortly after the end of the fiscal year. He was a Corporate Vice President and President of the Atlantic Division with headquarters in Philadelphia. He was succeeded as President by J. S. Kroh, formerly Executive Vice President of the Division, who has been elected to the Board.

Bakery Modernization

The National Bakery Division maintained its Company-wide plant modernization program during 1967. It opened a new bakery in Charlotte, N. C., completed a major plant overhaul in Philadelphia, started remodeling projects in bakeries in Columbus and Detroit, and completed the enlargement and modernization of the Headquarters Bakery Research Laboratory.

Additionally, the Company purchased a heretofore leased baking plant in Toronto and has taken initial steps toward enlargement and complete modernization of this large and important processing facility.

The acquisitions of a cookie company plant in Olean, N. Y. and a bakery in Cherry Hill, N. J. resulted in the addition of new lines of soft cookies and snack fruit pies that quickly gained popular acceptance.

Package modernization was a prominent objective in the National Bakery Department during fiscal 1967. Jane Parker products singled out for major packaging overhauls included loaf bread, cookies, pies and English muffins.

In particular there was marked consumer preference for white bread packaged in polyethylene bags with a twist-tie fastener. As a result, the entire Southern Division and the Chicago, Kansas City, and Milwaukee sales units are accommodating customers with fully-bagged loaf breads. Conversion of the balance of A&P's sales units to this new style package will be completed during 1968.

The packaging of many other coffee cake, roll and cake products was converted to reclosable polyethylene bags for greater consumer convenience with gratifying increases in volume.

The development of new products was again emphasized in 1967 as 60 new Jane Parker baked goods, including corn chips and cheese puffs, were introduced on A&P shelves.



Constant inspection of all food products is an important responsibility at the Ann Page Division Plant in Horseheads, N.Y. Above, automatic conveyor roasts and blends peanuts for processing into peanut butter.



Checking out captures a young man's fancy at this A&P supermarket where tests are being conducted on one of the first automated check stands in the food retailing industry. This innovation, which automatically unloads grocery carts for shoppers, is designed to improve the checking out process.



Distribution Centers

Four major new distribution facilities totaling 900,000 square feet were put in operation during fiscal 1967—Baltimore, Cleveland, Florence, N. J. and Greenville, S. C.

Alterations and additions also were completed at distribution centers in Louisville and Philadelphia and at the processing plants at Suffolk, Va., and Terre Haute, Ind. Another five distribution center facilities were under construction at the close of the year, including a new detergent plant in Brockport, N. Y., a delicatessen manufacturing plant in Florence, N. J., and a perishables distribution facility and Produce Division processing plant in Toronto. Alterations have started at the perishables distribution facility in East Hartford, Conn., and at the cheese plant in Plymouth, Wis.

Both the New and the Old

In the experimental field, A&P introduced one of the first automated check stands in the food retailing industry at its Fort Lee, N. J. supermarket. Customer acceptance of this test is being checked. The Company is expanding the experimentation to other stores in selected areas of its trade territory.

Contrasted with this experimentation into futuristic mechanization was a backward look at a rather old fashioned retailing technique, the service delicatessen, that has been generating a resurgence of consumer acceptance in the past few years. Among the many features that were added to new and remodeled stores during fiscal 1967 were 124 such "deli" departments, bringing to 394 the total now being manned by specialists in A&P Food Stores. Each carries a full line of domestic and imported delicatessen products to satisfy appetites of A&P customers. They also add to the concept of one-stop shopping.

The foregoing narrative about some of the things and the people and the events that improved A&P's profile in 1967 is symbolic of management's effort to fortify this Company's position of leadership in the industry.

It is evident that every new dimension of technology is studied carefully, every avenue of possible advancement is explored in detail, and every available manpower talent is utilized to its fullest as the Company continues its unending search for ways to make A&P a better place to shop, a better place to work and a better place in which to share ownership.



A&P added to its growing family of health and beauty aid products during fiscal 1967 with the introduction of eight new items under the A&P label. These products are budget priced, yet they match or excel in quality the comparable nationally advertised items.



Statement of Consolidated Source and Use of Funds For the Periods Ended February 24, 1968 and February 25, 1967
(In Thousands of Dollars)

	52 Weeks to February 24, 1968	52 Weeks to February 25, 1967
FUNDS PROVIDED FROM:		
Operations:		
Net income	\$ 55,897	\$ 56,239
Charges to income not requiring funds:		
Depreciation and amortization	49,856	47,419
Charge equivalent to investment tax credit—net	1,149	1,833
Deferred and prepaid income taxes—net	4,569	5,679
Funds provided from operations	111,471	111,170
Sale of stock under stock option plan	78	83
Total funds provided	111,549	111,253
FUNDS USED FOR:		
Cash dividends	39,707	37,841
Additions to property, equipment and fixtures	63,357	67,817
Miscellaneous	2,882	1,332
Total funds used	105,946	106,990
INCREASE IN WORKING CAPITAL	5,603	4,263
WORKING CAPITAL AT BEGINNING OF PERIOD	304,705	300,442
WORKING CAPITAL AT END OF PERIOD	\$310,308	\$304,705

See the accompanying Notes to Financial Statements.

**STATEMENT OF
CONSOLIDATED INCOME
AND RETAINED
EARNINGS**

For the Periods Ended February 24, 1968 and February 25, 1967

**The Great Atlantic & Pacific
Tea Company, Inc.
and Subsidiary Companies**

	52 Weeks to Feb. 24, 1968	52 Weeks to Feb. 25, 1967
Sales	\$5,458,823,511	\$5,475,259,277
Cost of merchandise sold	<u>4,412,395,489</u>	<u>4,449,042,104</u>
Gross profit	1,046,428,022	1,026,217,173
Store operating, general and administrative expenses	<u>946,794,929</u>	<u>921,208,680</u>
Profit from operations	99,633,093	105,008,493
Other income—net	<u>2,064,336</u>	<u>2,235,714</u>
Income before income taxes	<u>101,697,429</u>	<u>107,244,207</u>
United States and foreign taxes and other charge:		
Income taxes:		
Current	40,082,000	43,493,000
Deferred and prepaid—net	4,569,000	5,679,000
Charge equivalent to investment tax credit—net	<u>1,149,000</u>	<u>1,833,000</u>
Total	<u>45,800,000</u>	<u>51,005,000</u>
Net income—1968, \$2.25 a share; 1967, \$2.27 a share	55,897,429	56,239,207
Retained earnings at beginning of period	<u>209,412,602</u>	<u>191,014,084</u>
	265,310,031	247,253,291
Cash dividends—1968, \$1.60 a share; 1967, \$1.525 a share	<u>39,707,145</u>	<u>37,840,689</u>
Retained earnings at end of period	<u>\$ 225,602,886</u>	<u>\$ 209,412,602</u>

See the accompanying Notes to Financial Statements.

CONSOLIDATED BALANCE SHEET February 24, 1968 and February 25, 1967

ASSETS

	<u>February 24, 1968</u>	<u>February 25, 1967</u>
CURRENT ASSETS:		
Cash	\$ 95,518,707	\$103,184,456
Short-term investments—at cost	9,169,619	18,391,719
Accounts receivable	23,535,080	19,743,875
Merchandise and supplies— at the lower of average cost or market	401,339,345	387,467,989
Prepaid expenses	<u>12,371,000</u>	<u>12,433,000</u>
Current assets	<u>541,933,751</u>	<u>541,221,039</u>
PROPERTY, EQUIPMENT AND FIXTURES:		
Land, at cost	7,946,739	6,268,780
Buildings, at cost less accumulated depreciation— 1968, \$9,583,188; 1967, \$8,805,589	47,319,993	39,488,045
Equipment, at cost less accumulated depreciation— 1968, \$176,212,882; 1967, \$171,233,556	198,398,492	194,602,388
Store fixtures, at amortized cost	<u>72,806,005</u>	<u>73,527,422</u>
Property, equipment and fixtures—net	<u>326,471,229</u>	<u>313,886,635</u>
DEFERRED CHARGES	<u>15,596,445</u>	<u>12,496,065</u>
	<u><u>\$884,001,425</u></u>	<u><u>\$867,603,739</u></u>

The Great Atlantic & Pacific Tea Company, Inc. and Subsidiary Companies

LIABILITIES AND STOCKHOLDERS' EQUITY

	<u>February 24, 1968</u>	<u>February 25, 1967</u>
CURRENT LIABILITIES:		
Accounts payable	\$169,074,575	\$164,437,803
Accrued accounts:		
United States and foreign income taxes	8,444,209	19,282,532
Other taxes, salaries, etc.	<u>54,106,921</u>	<u>52,796,123</u>
Current liabilities	<u>231,625,705</u>	<u>236,516,458</u>
 DEFERRED INVESTMENT CREDIT, RESERVES FOR SELF-INSURANCE, ETC.	 <u>15,906,009</u>	 <u>15,534,327</u>
 DEFERRED INCOME TAXES	 <u>9,104,000</u>	 <u>4,456,000</u>
 STOCKHOLDERS' EQUITY:		
Common stock—\$1 par value; authorized 28,000,000 shares; issued 1968, 24,817,308 shares; 1967, 24,814,741 shares	 24,817,308	 24,814,741
Capital surplus	376,945,517	376,869,611
Retained earnings	<u>225,602,886</u>	<u>209,412,602</u>
Stockholders' equity	<u>627,365,711</u>	<u>611,096,954</u>
	<u>\$884,001,425</u>	<u>\$867,603,739</u>

NOTES TO FINANCIAL STATEMENTS

FEDERAL INCOME TAXES: Effective February 26, 1967, the Company adopted the practice of comprehensively allocating all income taxes among periods. If this change had not been made, net income for the year ended February 24, 1968 would have been \$1,745,000 less.

The investment credit applicable to property acquired is being amortized over the estimated useful lives of the assets.

RETIREMENT PLANS: Retirement benefits for substantially all full-time employees are provided under the terms of the companies' Retirement Plans or under the terms of Plans jointly administered by representatives of employees and employers. The expenses of the companies' Retirement Plans, which include interest on the unfunded prior service cost, are funded on a current basis. Expenses of all Plans were \$20,812,000 and \$21,591,000 for the periods ended February 24, 1968 and February 25, 1967, respectively.

LONG-TERM LEASES AND OTHER MATTERS: Most operations of the companies are conducted in leased premises. There were approximately 4,975 leases in force on February 24, 1968 (exclusive of leases relating to premises where operations had not commenced, which are of the same type) that were, in general, for periods not exceeding ten years. The current annual rental of these premises is approximately \$98,100,000.

Since February 24, 1968 the companies' modernization program has involved the customary substantial expenditures, made or to be made, for new store leases, equipment and inventories.

STOCK OPTIONS: The stock option plan approved by the stockholders on June 21, 1960 provided that executives and key employees may be granted options to purchase stock of the Company at the fair market value of the stock on the date of grant.

Proceeds from the 2,567 shares sold during the year amounted to \$78,473, of which \$2,567 was credited to capital stock and \$75,906 to capital surplus.

338,799 shares of the Company's unissued stock are reserved for issuance under the plan, of which 172,946 shares are available for immediate purchase, 52,950 shares are available for purchase at various dates after February 24, 1968, and 112,903 shares have not been allotted and are available for future grants.

At February 24, 1968, after adjustment for cancellations, the status of the plan was as follows:

Options Granted				
	Oct. 17, 1960	Jan. 24, 1963	July 8, 1965	July 15, 1965
Shares sold to February 24, 1968 ...	204,359	None	400	None
Available for purchase under outstanding options	71,794	19,570	105,040	29,492
Shares allotted	276,153	19,570	105,440	29,492
Present option price per share	\$30.57	\$42.46	\$36.51	\$36.27

RECLASSIFICATIONS: Certain reclassifications have been made in the financial statements for the preceding year to give effect to changes in classification made in the current year.

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

TWO BROADWAY
NEW YORK 10004

ACCOUNTANTS' OPINION

To the Board of Directors and Stockholders of
The Great Atlantic & Pacific Tea Company, Inc.:

We have examined the consolidated balance sheet of The Great Atlantic & Pacific Tea Company, Inc. and its subsidiary companies as of February 24, 1968, and the related statements of consolidated income and retained earnings and of consolidated source and use of funds for the 52 weeks then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statement of consolidated income and retained earnings present fairly the financial position of the companies as of February 24, 1968 and the results of their operations for the 52 weeks then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding period; and the accompanying statement of consolidated source and use of funds presents fairly the information shown therein.

April 29, 1968

Haskins & Sells



Product Research and Development has become an area of Company-wide interest. Above, the flavor components of food are analyzed on a gas chromatograph before going into A&P's quality merchandise.

Ann Page Division Plant at Horseheads, N. Y., one of the most modern food processing plants in the world, turns out a steady stream of delicious foods to satisfy the appetites of A&P customers. Right, two thousand pounds of strawberries being pre-mixed for preserves.



The diversity of A&P pays off here. A shopper spots real value in A&P's own nationally famous preserves and jellies.

we care at...

